

Truro Finance Committee

April 5, 2004

To All Truro Voters,

As mandated by Massachusetts law, the Finance Committee (“Committee”) functions as the town’s official fiscal watchdog. As such, the Committee’s primary responsibility is to study, analyze, and offer recommendations to Town Meeting with regard to Truro’s Annual Budget, Capital Improvement Plan, and any other financial warrant articles, as well as to understand and monitor the process for setting the town’s tax rate. The Finance Committee must also review and approve all proposed reserve fund transfers for unexpected contingencies.

In its fulfillment of these responsibilities, during late 2003 and early 2004 the Committee held more than 20 public meetings, one public budget hearing, and numerous meetings with the Board of Selectmen, the Town Administrator, and the Town Accountant. The Committee reviewed and approved 9 fund transfers during this same period.

In last year’s letter to Annual Town Meeting, the Committee reported that the information necessary to make competent recommendations regarding the Annual Budget, the Capital Improvement Plan (CIP), and other financial warrants was not made available to the Committee in a timely manner. Therefore, following last year’s Annual Town Meeting, the Committee worked closely with the Town Administrator, the Town Accountant, and the Board of Selectmen to establish an appropriate work plan and schedule by which the Committee could perform its responsibilities in a timely manner. We are pleased to report that we received the complete and energetic cooperation of all those mentioned above, with the following results:

- A complete budget creation schedule was jointly developed covering all components of the budget and CIP process, including those necessary to the performance of the Committee’s responsibilities. Although all scheduled dates were not strictly met, the necessary information was made available in adequate time for the Committee to perform its mandated responsibilities. The Committee extends its thanks to all Town employees for their efforts in this task.
- The Committee participated in the development of the Town Administrator’s budget directive to Department Heads, and thereby set the stage for anticipated budget projections.
- As the budget development progressed, the Committee received a complete copy of each iteration of the budget and the CIP, with appropriate supporting documentation. The Town Administrator introduced the initial iteration of the draft budget and the CIP at a Committee meeting and answered numerous questions. The Committee provided timely comments and concerns to the Town Administrator for consideration. Each comment or concern was responded to with either a more detailed explanation and/or a revision to the

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draft budget and the CIP. Thereby, the budget and the CIP evolved with the timely participation of the Committee.

- A representative of the Committee served as a consultant to the Town's contract negotiation team, and provided direct input to the negotiation process.
- Representatives of the Committee attended the Board of Selectmen's budget meetings and provided substantive input to the Board's deliberations. All Committee comments and recommendations were favorably received, and resulted in positive responses from Board members.

The Committee is supportive of the current cooperative atmosphere between itself, the Board of Selectmen, and the Administration. It resulted in less contention, a better joint understanding of the budget and CIP, a smoother overall process, and a final product that can be jointly supported. It is the Committee's intention to pursue the same method of operation during the coming year.

The Committee fully supports this year's proposed Omnibus FY2005 Annual Budget and the proposed FY2005 Capital Improvement Plan expenditures. The Committee continues to support the timely maintenance of the Town infrastructure, including both the requisite capital spending and staff additions necessary to perform ongoing and routine maintenance.

The Committee fully supports the Proposition 2 ½ override proposed by the Board of Selectmen. Compared with what we've seen in other Cape towns this year, the over-ride is minimal. This fact attests to the efforts made by the Town Administrator, the Board of Selectmen, and the Finance Committee to provide the quality services expected by Truro residents, while minimizing tax increases and protecting reserve funds for unforeseen emergencies. This is a difficult balance to achieve, but the Committee feels that the budget and proposed override achieve an appropriate balance while protecting the future of the Town. This budget includes the addition of 3 full-time and 2 part-time people to the staff, all of which are operational (not administrative) positions. The Committee supports these increases as being necessary for the maintenance of the infrastructure, including the upcoming Community Center, and to the operation of normal services, such as the Transfer Station.

The Committee, thereby, recommends that Annual Town Meeting approve the Omnibus Annual Budget and Capital Improvement Plan articles for the 2005 fiscal year.

TERMS USED IN MUNICIPAL FINANCE

Annronriation: An amount of money which has been authorized by vote of Town Meeting to be spent for a designated purpose.

Available Funds: Available funds refer to the Stabilization Fund, Golf Course Receipts Reserved for Appropriation, Beach Receipts Reserved for Appropriation, Pamet Harbor Receipts Reserved for Appropriation, Recreation Receipts Reserved for Appropriation, Conservation Commission Receipts Reserved for Appropriation, and continued appropriations left in Articles voted at previous Town Meetings.

Overlay (Also called Allowance for Abatements and Exemnitions): The amount raised by the Assessors to be used for potential abatement of property taxes. The Overlay Surplus is the portion of each year's Overlay Account no longer required to cover the property abatements.

Free Cash: This is the amount certified annually by the State Bureau of Accounts. Town Meeting may appropriate from Free Cash for any purpose. Sometimes referred to as "Excess and Deficiency~~ or "E & D".

Transfer: The authorization to use an appropriation for a different purpose; in most cases only Town Meeting may authorize a transfer. However, in Truro, with certain restrictions, transfers may be authorized if the transfer is \$2,500.00 or less, the transfer is within the same Department, and is approved by the Department Head, Town Administrator and the Finance Committee.

Reserve Fund: This fund is established by the voters at an Annual Town Meeting through the Omnibus Budget. Transfers from the Reserve Fund are within the exclusive control of the Finance Committee and are for "extraordinary or unforeseen" expenditures.

Stabilization Fund: This is a special reserve account. Money may be voted into the Fund by a majority vote at Town Meeting. Money may only be appropriated from the Fund by a two-thirds vote at Town Meeting.

Cherry Sheet: A form showing all State and County charges and reimbursements to the Town as certified by the Massachusetts Department of Revenue.

PROPOSITION 2 ½ TERMS

Chapter 59, Section 21C of the Massachusetts General Laws commonly referred to as Proposition 2 ½ (Prop. 2 ½), or the Tax Limiting Law for Cities and Towns in Massachusetts.

Levy: The property tax levy is the revenue the Town can raise through real and personal property taxes. The levy is the largest source of revenue for the Town.

Levy Ceiling: This is the maximum amount of the levy limit. The ceiling equals 2 1/2% of the Town's full and fair cash value.

Levy Limit: The limit is based on the previous year's levy plus certain allowable increases.

Levy Limit Increase: The levy limit automatically increases each year by 2 1/2% of the previous year's levy limit.

New Growth: The increase in the levy limit attributable to new construction and new parcel subdivisions.

Override: A community can increase its levy limit by voting at a referendum to exceed the limit. There are three (3) types of overrides.

General Override: A general override ballot question can be placed on a referendum if a majority of the Board of Selectmen vote to do so. If the ballot question is approved by a majority of the voters, the Town's levy limit is permanently increased by the amount voted at the referendum. The levy limit increases may not exceed the Town's levy ceiling.

Debt Exclusion and Capital Outlay Expenditure Exclusion: These two override ballot questions can be placed on a referendum by a two-thirds (2/3) vote of the Board of Selectmen. If a majority of the voters approve the ballot question, the Town's levy limit is temporarily increased for the amount voted at the referendum. The increase may exceed the Town's levy limit.

Contingent Votes: Chapter 634 of the Acts of 1989 permits a Town Meeting to appropriate funds contingent upon passage of a referendum question (Override). A contingent vote does not automatically result in an override referendum. An override referendum can only be called by the Board of Selectmen. If a referendum is called by the Selectmen, it must take place within forty-five days of the Town Meeting vote.